MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2015/2016

UIB2612 – ISLAMIC BANKING AND FINANCE LAW

(All Sections / Groups)

1ST JUNE 2016
Reading Time : 9.00 a.m. – 9.15 a.m.
(15 Minutes)
Answering Time: 9.15 a.m. – 12.15 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. Students will have **fifteen minutes** during which they may read the paper and make rough notes ONLY in their question paper. Students then have the remaining **THREE HOURS** in which to answer the questions.

2. This Question paper consists of 2 pages with 5 Questions only.

3. Attempt **FOUR** out of FIVE questions. All questions carry equal marks and the distribution of the marks for each question is given.

4. Students are allowed to bring into Examination Hall CLEAN and ORIGINAL copy of:
   i. Islamic Financial Services Act 2013 (Act 759) and
   ii. Central Bank of Malaysia Act 2009

5. Please write all your answers in the Answer Booklet provided.

ANSWER ANY FOUR (4) OUT OF FIVE (5) QUESTIONS.

QUESTION 1

"The pulse of the international Participation banking industry are the nine core markets — Bahrain, Qatar, Indonesia, Saudi Arabia, Malaysia, United Arab Emirates, Turkey, Kuwait and Pakistan. Together, they account for 93% of industry assets, estimated to exceed US$920 billion in 2015. Participation banking has maintained its higher growth rate as compared to conventional banking despite the challenges"

-World Islamic Banking Competitiveness Report 2016

The above statement shows the competitiveness of Islamic banking industry as compared to the conventional banking. Critically analyse the salient features of Islamic Banking which make it different from the conventional banking.

(Total 25 marks)

QUESTION 2

Partnership of contracts is between two or more people to have partnership in capital and profit. Discuss the concept of partnership in Islam and its application in Islamic banking transaction.

(Total 25 marks)

QUESTION 3

The *Shariah* Advisory Council of Bank Negara Malaysia (SAC) was established in May 1997 as the highest *Shariah* authority in Islamic finance in Malaysia. The SAC has been given the authority for the ascertainment of Islamic law for the purposes of Islamic banking business, Takaful business, Islamic financial business, Islamic development financial business, or any other business, which is based on *Shariah* principles and is supervised and regulated by Bank Negara Malaysia.

Discuss the role and functions of the *Shariah* Advisory Committee in light of the Islamic Financial Services Act 2013, Central Bank of Malaysia Act 2009 and case law.

(Total 25 marks)

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QUESTION 4

The Central Bank of Malaysia has approved the application of *Bai' Bithaman Ajil* ("BBA") in all financial institutions. Nevertheless, despite it being deemed to be a *Shariah* compliant instrument, the validity of the contract in its essence or even in its execution has been repeatedly challenged in a number of cases in Malaysia.

In light of court cases, discuss the application of BBA transaction in Islamic banking in Malaysia.

(Total 25 marks)

QUESTION 5

"Malaysia is regarded as the leading key player in the global Takaful market as Malaysia has become fertile grounds for the expansion of Takaful industry. Malaysia's takaful industry grew at an impressive rate of 24% in 2011. Saudi Arabia, the largest takaful market, contributed US$4.3 billion (a 51.8% share of worldwide Takaful). Malaysia, which is ranked second contributed US$1.4 billion, while the United Arab Emirates (UAE) contributed US$818 million."

-The World Takaful Report, 2012

Critically analyse the differences between *Takaful* and Conventional Insurance and the legal framework of *Takaful* in Malaysia.

(Total 25 marks)

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